

## SPOTLIGHT OPTION TRADE



### Akamai Attractively Valued with Strong Secular Tailwinds in CDN

#### TRADE SNAPSHOT

TICKER	AKAM
SECURITY	Akamai Tech
SECTOR	Tech – Software – Infrastructure
CURRENT PRICE	\$97.30
LONG/SHORT	Long
TARGET	\$110
STOP	\$91
TIMEFRAME	1 Month

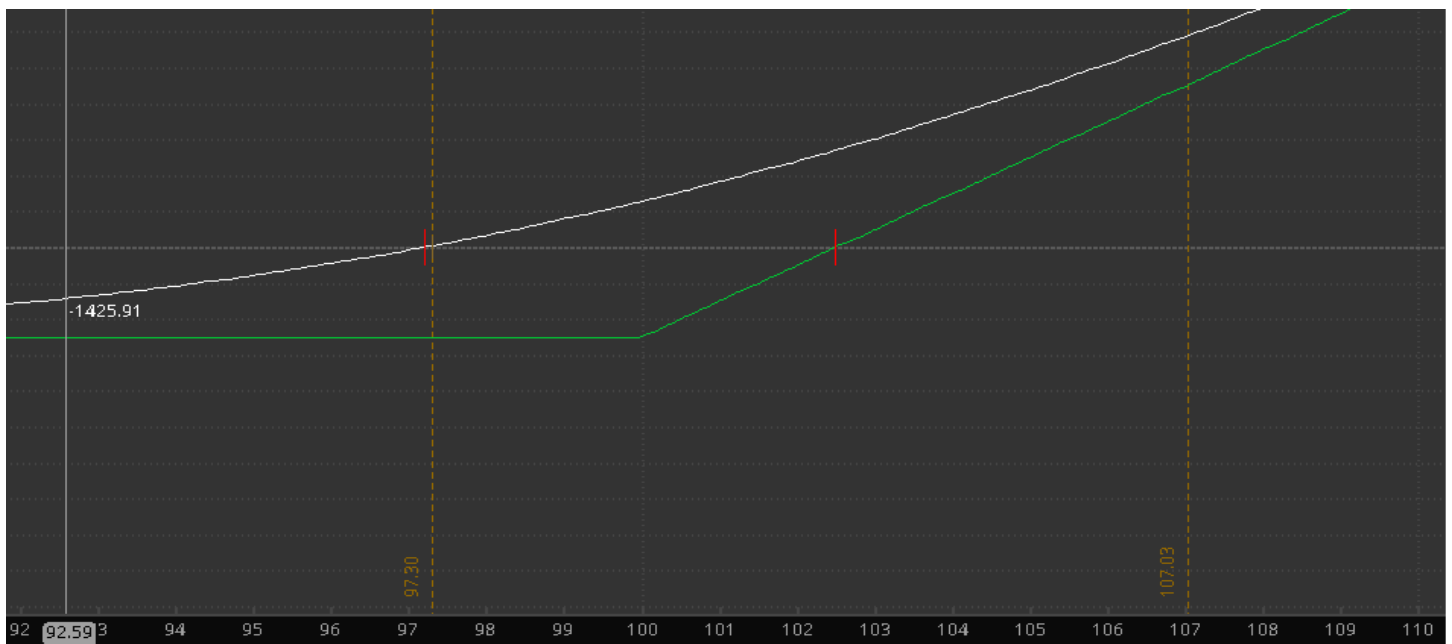
**Trading Strategy:** Long AKAM June \$100 Calls at \$2.50

**Net Debit/Credit:** Debit \$2.50

**Profitability Zone:** AKAM Shares Above \$102.50 on June OpEx

**Greeks:** Delta 40; Gamma 4; Vega 11; Theta -6

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** AKAM sold off on strong earnings with expectations high but shares forming a nice bull wedge pattern with the rising 55 day moving average acting supportive, and the 200 MA not far below. Shares are showing nice consolidation at a key volume zone and looking for a continuation breakout to new highs.



**Fundamental Analysis:** The \$15.65B Tech Company trades 18.2X Earnings, 5X EV/Sales and 19.7X FCF with a strong balance sheet. AKAM has regained its status as a growth company with revenues seen rising more than 7% Y/Y and EPS up around 10%. AKAM should be positioned very well for the Work-from-Home trend which is likely to extend long past COVID-19 and also seeing a boost from OTT and Gaming. It also has seen strong growth from its Security segment. The company spoke at the Needham Conference on 5/19 and noted the surge in traffic in March/April has continued with a focus on edge. It has seen some modest offset from a lack of live events/sports though with those set to return next month it could see further positive impact. AKAM defended its decision not to give full year guidance but sounded optimistic, pleased where it sits in the ecosystems of CDN, web acceleration and security. The security business has been the fastest growing and now largest and seen a benefit from work-from-home firewall demand. AKAM also noted it is not really seeing a competitive impact from FSLY/NET. Another interesting topic of discussion was how AKAM is a likely beneficiary of 5G.

Analysts have an average target of \$112 and short interest low at 3.6% of the float. Ray-Jay upgraded to Outperform in early April with a \$110 target noting “the company's core CDN business likely a direct COVID beneficiary with increased OTT video, gaming, and web traffic in a WFH environment; plus, beyond the initial WFH boost, an expansive opportunity as a cloud security vendor, with demand for the company's alternative remote access demand catalyzed by COVID as well. While we expect all the public CDNs including Limelight and Fastly to see a boost from WFH, we see Akamai benefiting in the most sustainable long-term manner of the three given: a) its dominant market share; b) long-term secular security as well as near-term CDN drivers; and c) strong balance sheet and cash flow (\$533M net cash, \$570M 2020E FCF).” Piper has a \$114 target and after the latest quarter noted “The upside in Security bookings, including in Enterprise, is the most encouraging data-point from Q1 given the sustainable revenue stream. Management sounded upbeat on new security solutions like the cloud web proxy and EAA. There is some concern around the health of the Web CDN business, with ~20% exposure towards troubled verticals. However, we see numbers moving higher as a result of the Media & Security trends in 1H20, with optionality around 2H20 with the re-opening of the economy. Akamai should continue to benefit from the "Year of the CDN", with broad exposure to amplified catalysts.” Hedge Fund ownership fell 3.77% in Q1 filings.

### Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
4/16/2020	AKAM 100 21 JAN 22 115 CALL	1,000	24	\$13.90	0.52	35.75%	33.94%	\$1,785,000	.AKAM220121C115
4/2/2020	AKAM 100 15 JAN 21 97.5 CALL	2,200	37	\$12.00	0.54	43.05%	39.29%	\$3,234,000	.AKAM210115C97.5
3/4/2020	AKAM 100 21 AUG 20 87.5 CALL	295	7	\$12.10	0.66	34.12%	56.68%	\$354,000	.AKAM200821C87.5
9/17/2019	AKAM 100 15 JAN 21 90 PUT	500	5	\$10.90	-0.4	30.06%	52.08%	\$545,000	.AKAM210115P90

**Potential Catalysts:** 6/2 RW Baird Conference ; 6/3 BAML Conference

**Disclaimer:****Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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